

Message Text

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PAGE 01 ROME 13915 251659Z

46

ACTION EB-07

INFO OCT-01 IO-13 AGR-05 USIA-06 AID-05 EUR-12 COME-00

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SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

REF: STATE 179723

1. DEPARTMENT ENDEAVORED (REFTEL) TO OBTAIN REACTIONS OF OTHER OECD/DAC COUNTRIES TO OPEC REDUCTION OF THEIR CONTRIBUTION TO IFAD TO \$400 MILLION AND THEIR INSISTENCE THAT OECD/DAC COUNTRIES CONTRIBUTE \$600 MILLION, TO BRING TOTAL TO \$1 BILLION. AS BYSTANDER IN THIS EFFORT, WE BELIEVE RESPONSE FAILED TO OBTAIN ANY CONSENSUS. THIS ISSUE AND ISSUE OF LEADERSHIP OF IFAD ARE SURE TO ARISE IN MEETING OF PREPARATORY COMMISSION FOR IFAD SCHEDULED SEPTEMBER 27-30, 1976 IN ROME, AND WE BELIEVE FURTHER CONSULTATIONS ARE IN ORDER.

2. WORLD FOOD COUNCIL ASSISTANT EXECUTIVE DIRECTOR HARRY WALTERS HAS RECENTLY BEEN CONSULTING WITH VARIOUS DEVELOPED
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PAGE 02 ROME 13915 251659Z

AND DEVELOPING COUNTRIES ABOUT PREPARATORY COMMISSION MEET-

ING. TO DEVELOPED COUNTRIES, HE IS SUGGESTING THAT ISSUE BE TAKEN WITH OPEC INSISTENCE THAT OECD/DAC COUNTRIES MUST CONTRIBUTE \$600 MILLION AGAINST OPEC'S \$400 MILLION. THIS DISPARITY WAS NEVER RAISED UNTIL MEETING OF IFAD PLENIPOTENTIARIES IN MAY 1976, AFTER OPEC HAD DISCOVERED THAT ITS COLLECTION FORMULA WOULD YIELD ONLY \$800 MILLION FOR THE OPEC FUND, AND THEY ACCORDINGLY REDUCED THEIR CONTRIBUTION TO IFAD TO \$400 MILLION. THIS OPEC DECISION, REPEATED RECENTLY IN THE OPEC FINANCE MINISTERS MEETING, VIOLATED THEIR AGREEMENT IN THE FEBRUARY 1976 IFAD MEETING IN ROME TO QTE ROUGH PARITY UNQTE IN CONTRIBUTIONS. WALTERS HAS ALSO MADE POINT WITH VARIOUS COUNTRIES THAT THE OTHER KEY PROBLEM IS TO SELECT, EITHER AT SEPTEMBER MEETING OR LATER, HIGHLY QUALIFIED HEAD OF IFAD SECRETARIAT, WITH BANKING AND DIPLOMATIC EXPERIENCE. HE DISCUSSED FIRST POINT, ON LEVELS OF CONTRIBUTION, WITH HOFF AND CONBOY OF SENATE GOVERNMENT OPERATIONS COMMITTEE LAST WEEK.

3. IN OUR VIEW, ISSUE OF LEVEL OF CONTRIBUTIONS TO IFAD RAISES COMPLICATED PROBLEMS. THERE IS CLEARLY BAD FAITH IN OPEC REDUCTION OF ITS CONTRIBUTION TO \$400 MILLION, AND WE BELIEVE U.S. AND OTHER OECD/DAC COUNTRIES SHOULD NOT ACCEPT OPEC PROPOSITION THAT OECD/DAC COUNTRIES MUST INCREASE THEIR CONTRIBUTIONS TO \$600 MILLION TO MEET THE RESULTING DEFICIT AND REACH THE \$1 BILLION AGREED TOTAL. U.S. AND OECD/DAC COUNTRIES, IN OUR OPINION, SHOULD FIRMLY REJECT THIS PROPOSITION, NOT ONLY AS MATTER OF PRINCIPLE BUT ALSO FOR SAKE OF GOOD FUTURE OPERATIONS OF IFAD. OECD/DAC COUNTRIES' CONTRIBUTIONS ARE VULNERABLE TO CRITICISM, HOWEVER, ON BASIS THAT MANY OF THE COUNTRIES MADE ONLY NOMINAL CONTRIBUTIONS, AND POORER OPEC COUNTRIES ARE LOATHE TO GIVE MORE THAN SOME MORE PROSPEROUS OECD/DAC COUNTRIES. THIS POINT WAS REITERATED LAST WEEK BY IRANIAN REPRESENTATIVE HERE. SOME OECD/DAC COUNTRIES REPORTEDLY ARE CONSIDERING INCREASING THEIR CONTRIBUTIONS, AND QUESTION ARISES WHETHER SUCH ACTION WOULD AMOUNT TO ACCEPTANCE OF OPEC DEMAND THAT OECD/DAC COUNTRIES MAKE UP THE DEFICIT CREATED BY OPEC'S RENEGING ON ROUGHT PARITY FORMULA. LASTLY, THERE IS ISSUE OF TIEING OF OECD/DAC COUNTRIES' PLEDGES, INCLUDING UNITED STATES, TO ROUGH PARITY WITH OPEC. WE WOULD HOPE THAT UNITED STATES AND OTHER OECD/DAC LIMITED OFFICIAL USE

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PAGE 03 ROME 13915 251659Z

COUNTRIES COULD PROCEED WITH CONTRIBUTIONS TO IFAD AS THINGS NOW STAND, REJECTING FORMULA OF OPEC FOR ESSENTIAL \$600 MILLION FOR OECD/DAC COUNTRIES, BUT ALLOWING FOR SOME MINOR INCREASES IN CONTRIBUTIONS BY OECD/DAC COUNTRIES THAT WERE OFFERING LESS THAN THEY SHOULD HAVE. IN ALL OF DISCUSSIONS HERE, THERE HAS BEEN FULL APPRECIATION OF GENEROUS OFFER OF \$200 MILLION BY UNITED STATES, AND NO SUGGESTION THAT UNITED STATES SHOULD CONSIDER INCREASING ITS CONTRIBUTION.

4. U.K. LAST WEEK CONSULTED WITH ITALIAN GOVERNMENT ON THESE ISSUES, AND PRESUMABLY IS CONSULTING WITH OTHER OECD/DAC GOVERNMENTS. WE BELIEVE UNITED STATES SHOULD AGAIN TAKE INITIATIVE IN CONSULTATIONS, AND THAT A CONSULTATIVE MEETING SHOULD BE HELD TO ARRIVE AT DEFINITE GROUP DECISIONS BEFORE PREPARATORY COMMISSION CONVENES SEPTEMBER 27. BEAUDRY

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